

CITY OF HUXLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

CITY OF HUXLEY, IOWA

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CITY OF HUXLEY, IOWA

OFFICIALS
JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nels Nord	Mayor	January 2012
Craig Henry	Mayor Pro Tem	January 2014
Marge Nerness	Council Member	January 2014
Scott Wilson	Council Member	January 2014
Don Brendeland	Council Member	January 2012
Mark Baker	Council Member	January 2012
John Haldeman	City Administrator	Indefinite
Justin Moore	City Clerk	Indefinite
John Hendricks	City Treasurer	January 2012
Amy Beattie	City Attorney	January 2012
Gabe Nelson	City Engineer	January 2012

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Huxley, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2011 on our consideration of the City of Huxley, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huxley, Iowa's basic financial statements. We previously audited in accordance with standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were presented in conformity with an other comprehensive basis of accounting. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements which were presented in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
December 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Huxley, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 67.9%, or approximately \$13.5 million, from fiscal 2010 to fiscal 2011. Intergovernmental receipts increased \$451,646, property and other city taxes increased approximately \$256,157, bond proceeds decreased approximately \$15.8 million, miscellaneous receipts increased \$1,602,756 and other general receipts decreased \$2,591.
- Disbursements of the City's governmental activities decreased by 40.8%, or approximately \$6 million, from fiscal 2010 to fiscal 2011. Debt service disbursements decreased by \$966,561 as a result of decrease in required debt payments compared to the prior year. In addition, capital projects disbursements decreased approximately \$5.1 million primarily due to a majority of the construction of the Waste Water Facility was completed in the prior year.
- The City's total cash basis net assets decreased 18.2%, or approximately \$2.65 million from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities decreased approximately \$2.4 million and the net assets of the business type activities decreased by \$256,283.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Receipts by Source and Disbursements by Function provides comparative detail of the City's receipts and disbursements.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- **Governmental Activities** include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) **Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Debt Service Fund and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

2) **Proprietary funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. The City also maintains one non major Enterprise Fund to account for meter deposits.

The required financial statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balances for governmental activities decreased from a year ago, from approximately \$13.3 million to approximately \$10.9 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service	\$ 424,948	\$ 469,529
Operating grants, contributions and restricted interest	1,369,336	691,344
Capital grants, contributions and restricted interest	1,319,653	-
General receipts:		
Property and other city tax	2,691,213	2,442,191
Local option sales tax	323,864	314,546
Unrestricted interest on investments	8,375	7,771
Bond proceeds	-	15,774,365
Other general receipts	224,886	129,117
Total receipts	<u>6,362,275</u>	<u>19,828,863</u>
Disbursements:		
Public safety	502,356	490,676
Public works	310,234	273,784
Health and social services	13,925	6,444
Culture and recreation	546,736	522,903
Community and economic development	835,841	853,009
General government	324,630	331,736
Debt services	1,998,560	2,965,121
Capital projects	4,227,689	9,359,577
Total disbursements	<u>8,759,971</u>	<u>14,803,250</u>
Change in cash basis net assets before transfers	(2,397,696)	5,025,613
Transfers, net	<u>-</u>	<u>1,800,000</u>
Change in cash basis net assets	(2,397,696)	6,825,613
Cash basis net assets beginning of year	<u>13,309,956</u>	<u>6,484,343</u>
Cash basis net assets end of year	\$ <u>10,912,260</u>	\$ <u>13,309,956</u>

The City's total receipts for governmental activities decreased by 67.9%, or approximately \$13.5 million. The total cost of all programs and services decreased by approximately \$6 million, or 40.8%, with no new programs added this year. The significant decrease in receipts was primarily the result of bonds issued in the prior year due to various community development projects including the construction of the Waste Water Facility.

The cost of all governmental activities this year was approximately \$8.8 million compared to approximately \$14.8 million last year. However, as shown in the Statement of Activities and Net Assets on pages 10 and 11, the amount taxpayers ultimately financed for these activities was only approximately \$5.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$425,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$2.69 million). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$1.2 million to approximately \$3.1 million, primarily due to additional services completed and additional funding obtained from grants, contributions and other sources in connection with the City's various capital projects. The City paid for the remaining "public benefit" portion of governmental activities (approximately \$5.6 million) with tax (some of which could only be used for certain programs), proceeds from long-term debt carried over from the prior year, and with other receipts, such as unrestricted interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 457,482	\$ 485,950
Sewer	462,369	647,241
General receipts:		
Unrestricted interest on investments	23,301	29,014
Miscellaneous	32,693	29,781
Total receipts	<u>975,845</u>	<u>1,191,986</u>
Disbursements:		
Water	476,159	464,641
Sewer	743,216	395,226
Other business-type activities	12,753	11,885
Total disbursements	<u>1,232,128</u>	<u>871,752</u>
Change in cash basis net assets before transfers	(256,283)	320,234
Transfers, net	<u>-</u>	<u>(1,800,000)</u>
Change in cash basis net assets	(256,283)	(1,479,766)
Cash basis net assets beginning of year	<u>1,266,287</u>	<u>2,746,053</u>
Cash basis net assets end of year	\$ <u>1,010,004</u>	\$ <u>1,266,287</u>

Total business type activities receipts for the fiscal year were \$975,845 compared to \$1,191,986 in the prior year. Total disbursements for the fiscal year increased by 41.3%, to \$1,232,128.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Huxley, Iowa completed the year, its governmental funds reported a combined fund balance of \$10,912,260, a decrease of approximately \$2.4 million from last year's total of \$13,309,956. The following are the major reasons for significant changes in fund balances of the major funds from the prior year.

- The Tax Increment Financing Fund cash balance decreased by approximately \$1.4 million to \$5,461. This decrease was primarily due to transferring money to the debt service and various capital project funds. These funds were levied for such purposes.
- The Capital Projects Fund cash balance decreased by approximately \$3.8 million to \$3,825,406. This decrease was primarily due to transferring money to the debt service to pay for related principal and interest payments and to various capital project funds to pay for capital improvement projects during the fiscal year.
- The Centennial Extension Fund cash balance increased by approximately \$1.8 million to \$1,756,065. This increase was primarily due to contributions from developers and other governments and transferring in from other funds to pay for the extension of Centennial Drive to promote economic development in that area of the City.
- The Prairie Ridge Fund cash balance increased by approximately \$2.6 million to \$2,576,245. This increase was primarily due to the transferring from other funds to pay for the redevelopment of land and construction costs applicable for infrastructure costs for an affordable housing development.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$2,780 to \$912,486, which is consistent with the prior year. The City is attempting to maintain cash reserves to pay for future repairs, improvements and capital expenditures.
- The Sewer Fund cash balance decreased by \$252,990 to \$62,003. This decrease is due primarily to the decrease in operating receipts due to the temporary surcharge being released and the required principal and interest payments were due in the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 31, 2011 and resulted in an increase in public safety, public works, health and social service, culture and recreation, community and economic development, general government and business type activities disbursements. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$28,749,000 in bonds and other long-term debt outstanding, compared to \$30,053,000 last year, as shown below.

	<u>Outstanding Debt at Year End</u>	
	June 30, <u>2011</u>	June 30, <u>2010</u>
General Obligation Bonds:		
Water Improvement Bond - Series 2003	\$ 311,000	\$ 334,000
Refunding Bonds – Series 2010A	950,000	1,435,000
Corporate Purpose Bonds – Series 2006	80,000	100,000
Corporate Purpose Bonds – Series 2006	5,780,000	6,175,000
Corporate Purpose Bonds – Series 2009	5,720,000	5,720,000
Corporate Purpose Bonds – Series 2010B	155,000	310,000
Corporate Purpose Bonds – Series 2010C	2,145,000	2,145,000
Corporate Purpose Bonds – Series 2010D	<u>6,295,000</u>	<u>6,295,000</u>
Total	<u>21,436,000</u>	<u>22,514,000</u>
Water Revenue Bonds – Series 2002	1,128,000	1,214,000
Sewer Revenue Bonds – Series 2009	<u>6,185,000</u>	<u>6,325,000</u>
Grand Total	\$ <u>28,749,000</u>	\$ <u>30,053,000</u>

Debt decreased as a result of required payments made during the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Huxley, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 4.3%, versus 5.4% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.1%.

Inflation in the nation was slightly higher than the State's Consumer Price Index increase. The nation's CPI increase was 7.8% for fiscal year 2011 compared with the State rate increase of 6.0%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$10,612,521, a decrease of .4% from the final 2011 budget. Budgeted disbursements and transfers are expected to increase by approximately \$1.27 million primarily due to more money expected to be transferred out in fiscal year 2012. The City has added no major new programs or initiatives to the 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$642,000 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Justin Moore, City Clerk, 515 North Main Avenue, Huxley, Iowa 50124.

BASIC FINANCIAL STATEMENTS

CITY OF HUXLEY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs			Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>		
Governmental activities:				
Public safety	\$ 502,356	\$ 55,951	\$ -	\$ -
Public works	310,234	18,109	295,730	-
Health and social services	13,925	-	1,851	-
Culture and recreation	546,736	268,868	7,323	-
Community and economic development	835,841	81,795	985,642	-
General government	324,630	225	78,790	-
Debt service	1,998,560	-	-	-
Capital projects	4,227,689	-	-	1,319,653
Total governmental activities	<u>8,759,971</u>	<u>424,948</u>	<u>1,369,336</u>	<u>1,319,653</u>
Business type activities:				
Water	476,159	457,482	-	-
Sewer	743,216	462,369	-	-
Other business type activities	12,753	-	-	-
Total business type activities	<u>1,232,128</u>	<u>919,851</u>	<u>-</u>	<u>-</u>
Total	\$ <u>9,992,099</u>	\$ <u>1,344,799</u>	\$ <u>1,369,336</u>	\$ <u>1,319,653</u>
General receipts:				
Property and other City tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<u>Cash Basis Net Assets:</u>				
Restricted:				
Expendable:				
Streets				
TIF purposes				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (446,405)	\$ -	\$ (446,405)
3,605	-	3,605
(12,074)	-	(12,074)
(270,545)	-	(270,545)
231,596	-	231,596
(245,615)	-	(245,615)
(1,998,560)	-	(1,998,560)
(2,908,036)	-	(2,908,036)
<u>(5,646,034)</u>	<u>-</u>	<u>(5,646,034)</u>
-	(18,677)	(18,677)
-	(280,847)	(280,847)
-	(12,753)	(12,753)
-	<u>(312,277)</u>	<u>(312,277)</u>
<u>(5,646,034)</u>	<u>(312,277)</u>	<u>(5,958,311)</u>
511,137	-	511,137
2,082,328	-	2,082,328
97,748	-	97,748
323,864	-	323,864
8,375	23,301	31,676
<u>224,886</u>	<u>32,693</u>	<u>257,579</u>
<u>3,248,338</u>	<u>55,994</u>	<u>3,304,332</u>
(2,397,696)	(256,283)	(2,653,979)
<u>13,309,956</u>	<u>1,266,287</u>	<u>14,576,243</u>
\$ <u>10,912,260</u>	\$ <u>1,010,004</u>	\$ <u>11,922,264</u>
\$ 324,641	\$ -	\$ 324,641
5,461	-	5,461
-	231,245	231,245
2,231,991	-	2,231,991
<u>8,350,167</u>	<u>778,759</u>	<u>9,128,926</u>
\$ <u>10,912,260</u>	\$ <u>1,010,004</u>	\$ <u>11,922,264</u>

CITY OF HUXLEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

		<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Blue Sky Project</u>
				<u>Capital Projects</u>
RECEIPTS:				
Property tax	\$ 350,529	\$ -	\$ 95,565	\$ -
Tax Increment financing	-	2,082,328	-	-
Other City tax	119,811	-	-	-
Licenses and permits	26,978	-	-	-
Use of money and property	40,019	11,473	-	58,923
Intergovernmental	226,123	-	2,183	-
Charges for service	206,270	-	-	-
Miscellaneous	403,134	15,000	-	3,749
Total receipts	<u>1,372,864</u>	<u>2,108,801</u>	<u>97,748</u>	<u>640,465</u>
				<u>62,672</u>
DISBURSEMENTS:				
Operating:				
Public safety	502,356	-	-	-
Public works	66,018	-	-	-
Health and social services	13,925	-	-	-
Culture and recreation	546,736	-	-	-
Community and economic development	34,003	554,239	-	-
General government	321,390	3,240	-	-
Debt service	-	-	1,998,560	-
Capital projects	-	-	-	754,700
Total disbursements	<u>1,484,428</u>	<u>557,479</u>	<u>1,998,560</u>	<u>754,700</u>
				<u>144,188</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(111,564)</u>	<u>1,551,322</u>	<u>(1,900,812)</u>	<u>(114,235)</u>
				<u>(81,516)</u>
Other financing sources (uses):				
Transfers in	439,878	190,000	1,850,812	-
Transfers out	<u>(261,969)</u>	<u>(3,162,995)</u>	<u>-</u>	<u>(3,689,441)</u>
Total other financing sources (uses)	<u>177,909</u>	<u>(2,972,995)</u>	<u>1,850,812</u>	<u>(3,689,441)</u>
Net change in cash balances	66,345	(1,421,673)	(50,000)	(114,235)
				(3,770,957)
CASH BALANCES - Beginning of year, as restated	<u>583,654</u>	<u>1,427,134</u>	<u>50,000</u>	<u>-</u>
				<u>7,596,363</u>
CASH BALANCES - End of year	\$ <u>649,999</u>	\$ <u>5,461</u>	\$ <u>-</u>	\$ <u>(114,235)</u>
				\$ <u>3,825,406</u>
Cash Basis Fund Balances				
Restricted	\$ 4,452	\$ 5,461	\$ -	\$ -
Assigned	36,599	-	-	3,825,406
Unassigned	608,948	-	-	(114,235)
Total cash basis fund balances	\$ <u>649,999</u>	\$ <u>5,461</u>	\$ <u>-</u>	\$ <u>(114,235)</u>
				\$ <u>3,825,406</u>

Capital Projects		Nonmajor Governmental Funds		Total
Centennial Extension	Prairie Ridge			
\$ -	\$ -	\$ 40,797	\$	486,891
-	-	-		2,082,328
-	-	323,864		443,675
-	-	-		26,978
-	-	59,496		169,911
240,000	-	373,564		841,870
-	-	-		206,270
<u>1,000,000</u>	<u>-</u>	<u>42,004</u>		<u>2,104,352</u>
<u>1,240,000</u>	<u>-</u>	<u>839,725</u>		<u>6,362,275</u>
-	-	-		502,356
-	-	244,216		310,234
-	-	-		13,925
-	-	-		546,736
-	-	247,599		835,841
-	-	-		324,630
-	-	-		1,998,560
<u>563,935</u>	<u>241,103</u>	<u>2,523,763</u>		<u>4,227,689</u>
<u>563,935</u>	<u>241,103</u>	<u>3,015,578</u>		<u>8,759,971</u>
<u>676,065</u>	<u>(241,103)</u>	<u>(2,175,853)</u>		<u>(2,397,696)</u>
1,680,000	2,817,348	4,114,137		11,092,175
<u>(600,000)</u>	<u>-</u>	<u>(3,377,770)</u>		<u>(11,092,175)</u>
<u>1,080,000</u>	<u>2,817,348</u>	<u>736,367</u>		<u>-</u>
1,756,065	2,576,245	(1,439,486)		(2,397,696)
-	-	3,652,805		13,309,956
\$ <u>1,756,065</u>	\$ <u>2,576,245</u>	\$ <u>2,213,319</u>	\$	<u>10,912,260</u>
\$ 1,240,000	\$ -	\$ 1,312,180	\$	2,562,093
516,065	2,576,245	1,315,542		8,269,857
-	-	(414,403)		80,310
\$ <u>1,756,065</u>	\$ <u>2,576,245</u>	\$ <u>2,213,319</u>	\$	<u>10,912,260</u>

CITY OF HUXLEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>		<u>Other</u> <u>Nonmajor</u> <u>Meter</u> <u>Deposits</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>		
<u>Operating receipts:</u>				
Permits	\$ 4,255	\$ 3,440	\$ -	\$ 7,695
Charges for service	453,227	458,929	-	912,156
Miscellaneous	11,156	9,297	12,240	32,693
Total operating receipts	<u>468,638</u>	<u>471,666</u>	<u>12,240</u>	<u>952,544</u>
<u>Operating disbursements:</u>				
Business type activities	<u>350,704</u>	<u>385,456</u>	<u>12,753</u>	<u>748,913</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>117,934</u>	<u>86,210</u>	<u>(513)</u>	<u>203,631</u>
<u>Non-operating receipts (disbursements):</u>				
Interest on investments	4,741	18,560	-	23,301
Debt service	(125,455)	(357,760)	-	(483,215)
Total non-operating receipts (disbursements)	<u>(120,714)</u>	<u>(339,200)</u>	<u>-</u>	<u>(459,914)</u>
Net change in cash balances	(2,780)	(252,990)	(513)	(256,283)
<u>CASH BALANCES</u> - Beginning of year	<u>915,266</u>	<u>314,993</u>	<u>36,028</u>	<u>1,266,287</u>
<u>CASH BALANCES</u> - End of year	\$ <u>912,486</u>	\$ <u>62,003</u>	\$ <u>35,515</u>	\$ <u>1,010,004</u>
<u>Cash Basis Fund Balances</u>				
Restricted for debt service	\$ 231,245	\$ -	\$ -	\$ 231,245
Unrestricted	<u>681,241</u>	<u>62,003</u>	<u>35,515</u>	<u>778,759</u>
Total cash basis fund balances	\$ <u>912,486</u>	\$ <u>62,003</u>	\$ <u>35,515</u>	\$ <u>1,010,004</u>

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley, Iowa is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Huxley, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E-911 Service Board and Story County Emergency Management Commission. The City also participates in the Ames Story County Affordable Housing Partnership, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. Additionally, the City has a Chapter 28E agreement with the Ballard Community School district to operate the 3Cs Community Center. See Note 7 for additional explanation.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by property and other city tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Expendable Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

Debt Service

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Projects

The Blue Sky Project Fund is used to account for the costs associated with an industrial park development to provide space for business and industrial operations.

The Capital Projects Fund is used to account for the construction costs applicable for infrastructure costs for the new high school.

The Centennial Extension Fund is used to account for the costs associated with the westward extension of Centennial Drive.

The Prairie Ridge Fund is used to account for the costs associated with the redevelopment of land and construction costs applicable for infrastructure costs for an affordable housing development.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Huxley, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service and culture and recreation functions.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2011 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Savings Bonds	\$ <u>15,599</u>	\$ <u>15,599</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		State Revolving Fund Revenue Bonds		Total	
	Total Principal	Total Interest	Total Principal	Total Interest	Total Principal	Total Interest
2012	\$ 1,199,000	\$ 940,463	\$ 233,000	\$ 219,540	\$ 1,432,000	\$ 1,160,003
2013	1,335,000	906,451	241,000	212,550	1,576,000	1,119,001
2014	1,216,000	865,458	249,000	205,320	1,465,000	1,070,778
2015	1,271,000	817,133	256,000	197,850	1,527,000	1,014,983
2016	1,322,000	764,956	259,000	190,170	1,581,000	955,126
2017	1,398,000	708,356	267,000	182,400	1,665,000	890,756
2018	1,494,000	646,363	275,000	174,390	1,769,000	820,753
2019	1,535,000	578,578	283,000	166,140	1,818,000	744,718
2020	1,631,000	508,227	292,000	157,650	1,923,000	665,877
2021	1,737,000	433,233	305,000	148,890	2,042,000	582,123
2022	3,248,000	351,828	313,000	139,740	3,561,000	491,568
2023	1,090,000	196,186	200,000	130,350	1,290,000	326,536
2024	1,140,000	144,386	205,000	124,350	1,345,000	268,736
2025	1,190,000	89,660	210,000	118,200	1,400,000	207,860
2026	630,000	31,515	220,000	111,900	850,000	143,415
2027	-	-	225,000	105,300	225,000	105,300
2028	-	-	230,000	98,550	230,000	98,550
2029	-	-	240,000	91,650	240,000	91,650
2030	-	-	245,000	84,450	245,000	84,450
2031	-	-	255,000	77,100	255,000	77,100
2032	-	-	260,000	69,450	260,000	69,450
2033	-	-	270,000	61,650	270,000	61,650
2034	-	-	275,000	53,550	275,000	53,550
2035	-	-	285,000	45,300	285,000	45,300
2036	-	-	295,000	36,750	295,000	36,750
2037	-	-	300,000	27,900	300,000	27,900
2038	-	-	310,000	18,900	310,000	18,900
2039	-	-	315,000	9,600	315,000	9,600
Total	\$ <u>21,436,000</u>	\$ <u>7,982,790</u>	\$ <u>7,313,000</u>	\$ <u>3,259,590</u>	\$ <u>28,749,000</u>	\$ <u>11,242,380</u>

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,816,000 in water revenue bonds issued in February 2002. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,340,940. For the current year, principal and interest paid and total customer net receipts were \$122,420 and \$117,934, respectively.

The City also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,325,000 in sewer revenue bonds issued in June 2010. Proceeds from the bonds provide financing for the cost of construction improvements and extensions to the Municipal Sanitary Sewer System of the City. The notes are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$9,231,650. For the current year, principal and interest paid and total customer net receipts were \$329,750 and \$86,210, respectively.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Revenue Bonds (Continued)

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. The water and sewer systems shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.
- d. All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

There was a 6.65 million G.O. corporate purpose general obligation bond issued October 15, 2006. This bond is subject to an annual budget appropriation. As of June 30, 2011, the balance on this bond was 5,780,000, which is included in the above total.

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$72,200, \$64,620, and \$60,334, respectively, equal to the required contributions for each year.

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. Employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time exceeds two times the annual vacation amount at the end of any calendar year, excess vacation time will be lost. Sick leave has no maximum accumulation and is paid at the rate of 12.5% for 10 years, 25% after 15 years, and 50% after 25 years of full-time employment and if the employee has not been terminated by the City with cause. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 59,405
Compensatory time	699
Sick leave	<u>50,717</u>
Total	\$ <u>110,821</u>

Sick leave is payable when used or, after an employment period of at least ten (10) years, upon termination, retirement or death.

This liability has been computed based on rates of pay in effect at June 30, 2011.

CITY OF HUXLEY, IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 6: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 323,864
	Employee Benefits	81,592
	Tax Increment Financing	<u>34,422</u>
		<u>439,878</u>
Special Revenue:	Special Revenue:	
LMI	Tax Increment Financing	328,328
Regency Development	General	128,744
Tax Increment Financing	Capital Projects:	
	Capital Projects	190,000
Debt Service	Special Revenue:	
	Tax Increment Financing	1,285,405
	LMI	154,966
	Capital Projects:	
	Capital Projects	<u>410,441</u>
		<u>1,850,812</u>
Capital Projects:	Capital Projects:	
Wastewater Facility	Capital Projects	1,100,000
	Special Revenue:	
	Tax Increment Financing	<u>100,000</u>
		<u>1,200,000</u>
Centennial Extension	Capital Projects:	
	Capital Projects	1,680,000
Prairie Ridge Project	Capital Projects:	
	Regency Fund	2,817,348
Safe Room Project	Special Revenue:	
	Tax Increment Financing	1,300,000
Oak/Main	Capital Projects:	
	Capital Projects	9,000
Sports Complex	Special Revenue:	
	Tax Increment Financing	75,000
Grocery Store	Special Revenue:	
	Tax Increment Financing	39,840
Regency Fund	General	133,225
Storm Water Improvements	Capital Projects:	
	Centennial Extension	600,000

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: INTERFUND TRANSFERS (Continued)

Larson Dr. By-pass Sewer	Capital Projects:	
	Capital Projects	<u>300,000</u>
Total		\$ <u>11,092,175</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7: COMMITMENTS

In 1996, the City of Huxley, Iowa entered into a 28E agreement with the City of Ames, Iowa to participate in a waste reclamation, recycling and solid waste disposal system. The City of Ames, Iowa governs, controls, administers and operates the system and determines the amount of current and future debt required to operate the system.

The City of Huxley, Iowa is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2014 unless both parties agree to terminate. The share is determined based on the ratio that the population of the City of Huxley, Iowa bears to the total of the population of all the participants. The City's share is presently 3.36% of the total and the payment for the year ended June 30, 2011 was \$26,141.

In 2001, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for the construction and operation of a community center and a library. The center is jointly operated and governed by the City of Huxley, Iowa and Ballard Community School District. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and any maintenance required. The City is obligated by the agreement until June 30, 2051 unless both parties agree to terminate.

Prior to June 30, 2011, the City had signed various construction contracts that are summarized below:

Total commitments	\$ 12,285,115
Less amounts paid	<u>10,769,392</u>
Remaining commitments	\$ <u>1,515,723</u>

A significant portion of these commitments were for the construction of the Waste Water Treatment Plant and for the Prairie Ridge development and are financed by general obligation bonds, contributions and grants. The remaining balance at June 30, 2011 will be paid as work on the projects progress.

NOTE 8: ECONOMIC DEVELOPMENT

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

The City entered into the following loan agreements in which the borrowers have applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the loans were considered disbursements in the tax increment financing fund in the appropriate fiscal years. These are forgivable loans which do not have to be paid back if all requirements are met.

<u>Borrower</u>	<u>Date of Loan</u>	<u>Amount Expended</u>
Hillebrand LLC	October 27, 2009	\$ 45,000
CAS Enterprises, Inc	October 13, 2010	65,000
Bioforge Labs, LC	November 23, 2010	100,000
B Fabulous BBQ & Catering	March 28, 2011	3,000

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: DEFICIT BALANCES

The Blue Sky Project Fund had a deficit balance of \$114,235 at June 30, 2011, which will be eliminated upon the receipt of various sources including TIF taxes and bond proceeds. The HDC Expansion, Wastewater Facility Project, Pond/Dam Repairs, and Grocery Store non-major capital project funds also had deficit balances at June 30, 2011 of \$253,632, \$123,120, \$35,724 and \$1,927, respectively. These deficits are a result of ongoing capital projects, which will be eliminated by a variety of sources including TIF taxes, bond proceeds, donations and funds on hand.

NOTE 11: FUND BALANCE REPORTING

The detail of the City's cash basis fund balances at June 30, 2011, is as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
Restricted for:				
Police	\$ 4,452	\$ -	\$ -	4,452
Tax increment financing	-	-	5,461	5,461
Road improvements	-	-	324,641	324,641
Trust and agency	-	-	319	319
LMI	-	-	419,247	419,247
Centennial extension	-	1,240,000	-	1,240,000
Safe room	-	567,973	-	567,973
Total restricted	<u>4,452</u>	<u>1,807,973</u>	<u>749,668</u>	<u>2,562,093</u>
Assigned to:				
Library	24,654	-	-	24,654
Fire Services	7,620	-	-	7,620
Cemetery	4,325	-	-	4,325
Capital projects	-	3,825,406	-	3,825,406
Centennial extension	-	516,065	-	516,065
Prairie ridge	-	2,576,245	-	2,576,245
Street repairs	-	111,088	-	111,088
Centennial park	-	12,898	-	12,898
Oak/main	-	340,195	-	340,195
SE annexation	-	143,760	-	143,760
Nord Kalsem shelter	-	104,005	-	104,005
Storm water improvements	-	545,301	-	545,301
Sports complex	-	14,496	-	14,496
Larson Dr. by-pass sewer	-	43,799	-	43,799
Total assigned	<u>36,599</u>	<u>8,233,258</u>	<u>-</u>	<u>8,269,857</u>
Unassigned	<u>608,948</u>	<u>(528,638)</u>	<u>-</u>	<u>80,310</u>
Total fund balances	\$ <u>649,999</u>	\$ <u>9,512,593</u>	\$ <u>749,668</u>	\$ <u>10,912,260</u>

CITY OF HUXLEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 12: PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2011, it was determined that as a result of certain developer agreements the City had entered in to before June 30, 2010, certain amounts should have been transferred between funds to be in compliance. As a result, the following changes have been made to net assets as of June 30, 2010:

	<u>General</u>	<u>Tax Increment Financing</u>	<u>LMI</u>	<u>Total</u>
As previously reported June 30, 2010	\$ 519,249	\$ 1,480,868	\$ 289,185	\$ 2,289,302
Adjustments	<u>64,405</u>	<u>(53,734)</u>	<u>(10,671)</u>	<u>-</u>
As restated at June 30, 2010	\$ <u>583,654</u>	\$ <u>1,427,134</u>	\$ <u>278,514</u>	\$ <u>2,289,302</u>

In addition, during the year ended June 30, 2011 it was discovered that short-term debt reported in the prior year was overstated. The short-term debt originally reported as \$475,000 was actually rolled in to the long-term Sewer Revenue Bond before June 30, 2010. The amount of the Sewer Revenue Bond was correctly stated at June 30, 2010. This change had no effect on the cash basis net assets of the City.

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2010 have been reclassified to conform with the June 30, 2011 presentation.

NOTE 14: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUXLEY, IOWA

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 486,891	\$ -	\$ 486,891
Tax increment financing	2,082,328	-	2,082,328
Other City tax	443,675	-	443,675
License and permits	26,978	7,695	34,673
Use of money and property	169,911	23,301	193,212
Intergovernmental	841,870	-	841,870
Charges for service	206,270	912,156	1,118,426
Miscellaneous	<u>2,104,352</u>	<u>32,693</u>	<u>2,137,045</u>
Total receipts	<u>6,362,275</u>	<u>975,845</u>	<u>7,338,120</u>
<u>DISBURSEMENTS:</u>			
Public safety	502,356	-	502,356
Public works	310,234	-	310,234
Health and social services	13,925	-	13,925
Culture and recreation	546,736	-	546,736
Community and economic development	835,841	-	835,841
General government	324,630	-	324,630
Debt service	1,998,560	-	1,998,560
Capital projects	4,227,689	-	4,227,689
Business type activities	<u>-</u>	<u>1,232,128</u>	<u>1,232,128</u>
Total disbursements	<u>8,759,971</u>	<u>1,232,128</u>	<u>9,992,099</u>
Excess (deficiency) of receipts over (under) disbursements	(2,397,696)	(256,283)	(2,653,979)
Other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(2,397,696)	(256,283)	(2,653,979)
<u>BALANCES - Beginning of year</u>	<u>13,309,956</u>	<u>1,266,287</u>	<u>14,576,243</u>
<u>BALANCES - End of year</u>	\$ <u>10,912,260</u>	\$ <u>1,010,004</u>	\$ <u>11,922,264</u>

Budgeted Amounts		Final to Total Variance
<u>Original</u>	<u>Final</u>	
\$ 488,043	\$ 488,043	\$ (1,152)
2,090,113	2,090,113	(7,785)
450,462	450,462	(6,787)
8,800	8,800	25,873
58,500	58,500	134,712
423,424	423,424	418,446
1,047,500	1,047,500	70,926
<u>221,002</u>	<u>221,002</u>	<u>1,916,043</u>
<u>4,787,844</u>	<u>4,787,844</u>	<u>2,550,276</u>
429,760	504,760	2,404
329,770	356,270	46,036
9,975	15,475	1,550
499,405	546,355	(381)
824,708	949,708	113,867
332,580	962,580	637,950
1,668,766	1,668,766	(329,794)
4,400,000	4,400,000	172,311
918,980	1,248,730	409,684
<u>9,413,944</u>	<u>10,652,644</u>	<u>1,053,627</u>
(4,626,100)	(5,864,800)	3,603,903
<u>4,400,000</u>	<u>4,400,000</u>	<u>(4,400,000)</u>
(226,100)	(1,464,800)	(796,097)
<u>3,619,512</u>	<u>14,074,043</u>	<u>502,200</u>
\$ <u>3,393,412</u>	\$ <u>12,609,243</u>	\$ <u>(293,897)</u>

CITY OF HUXLEY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,238,700. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service and culture and recreation functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HUXLEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue					
	Employee Benefits	Road Use Tax	Trust and Agency	Local Option Sales Tax	LMI	Regency Development
RECEIPTS:						
Property Taxes	\$ 40,797	\$ -	\$ -	\$ -	\$ -	\$ -
Other City tax	-	-	-	323,864	-	-
Use of money and property	-	-	-	-	1,851	55,159
Intergovernmental	-	293,911	-	-	-	-
Miscellaneous	-	4,468	-	-	15,538	-
Total receipts	<u>40,797</u>	<u>298,379</u>	<u>-</u>	<u>323,864</u>	<u>17,389</u>	<u>55,159</u>
DISBURSEMENTS:						
Operating:						
Public works	-	244,216	-	-	-	-
Community and economic development	-	-	-	-	50,018	197,581
Capital projects	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>244,216</u>	<u>-</u>	<u>-</u>	<u>50,018</u>	<u>197,581</u>
Excess (deficiency) of receipts over (under) disbursements	<u>40,797</u>	<u>54,163</u>	<u>-</u>	<u>323,864</u>	<u>(32,629)</u>	<u>(142,422)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	328,328	128,744
Transfers out	(81,592)	-	-	(323,864)	(154,966)	-
Total other financing sources (uses)	<u>(81,592)</u>	<u>-</u>	<u>-</u>	<u>(323,864)</u>	<u>173,362</u>	<u>128,744</u>
Net change in cash balances	(40,795)	54,163	-	-	140,733	(13,678)
CASH BALANCES - Beginning of year, as restated	<u>40,795</u>	<u>270,478</u>	<u>319</u>	<u>-</u>	<u>278,514</u>	<u>13,678</u>
CASH BALANCES - End of year	\$ <u>-</u>	\$ <u>324,641</u>	\$ <u>319</u>	\$ <u>-</u>	\$ <u>419,247</u>	\$ <u>-</u>
Cash Basis Fund Balances:						
Restricted	\$ -	\$ 324,641	\$ 319	\$ -	\$ 419,247	\$ -
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	\$ <u>-</u>	\$ <u>324,641</u>	\$ <u>319</u>	\$ <u>-</u>	\$ <u>419,247</u>	\$ <u>-</u>

Capital Projects

<u>Street Construction and Repair</u>	<u>Centennial Park</u>	<u>HDC Expansion</u>	<u>Oak/Main</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
23	-	-	1,796
-	-	-	-
<u>13,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,664</u>	<u>-</u>	<u>-</u>	<u>1,796</u>
-	-	-	-
-	-	-	-
<u>23,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
<u>(9,986)</u>	<u>-</u>	<u>-</u>	<u>1,796</u>
-	-	-	9,000
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
<u>(9,986)</u>	<u>-</u>	<u>-</u>	<u>10,796</u>
<u>121,074</u>	<u>12,898</u>	<u>(253,632)</u>	<u>329,399</u>
\$ <u>111,088</u>	\$ <u>12,898</u>	\$ <u>(253,632)</u>	\$ <u>340,195</u>
\$ -	\$ -	\$ -	\$ -
111,088	12,898	-	340,195
-	-	(253,632)	-
<u>111,088</u>	<u>12,898</u>	<u>(253,632)</u>	<u>340,195</u>

CITY OF HUXLEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Capital Projects			
	SE Annexation Project	Grocery Store	Nord Kalsem Shelter Project	Pond/Dam Repairs
<u>RECEIPTS:</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other City tax	-	-	-	-
Use of money and property	667	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>667</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>DISBURSEMENTS:</u>				
Operating:				
Public works	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	155,433	-	35,724
Total disbursements	<u>-</u>	<u>155,433</u>	<u>-</u>	<u>35,724</u>
Excess (deficiency) of receipts over (under) disbursements	<u>667</u>	<u>(155,433)</u>	<u>-</u>	<u>(35,724)</u>
Other financing sources (uses):				
Transfers in	-	39,840	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>39,840</u>	<u>-</u>	<u>-</u>
Net change in cash balances	667	(115,593)	-	(35,724)
<u>CASH BALANCES</u> - Beginning of year, as restated	<u>143,093</u>	<u>113,666</u>	<u>104,005</u>	<u>-</u>
<u>CASH BALANCES</u> - End of year	\$ <u>143,760</u>	\$ <u>(1,927)</u>	\$ <u>104,005</u>	\$ <u>(35,724)</u>
<u>Cash Basis Fund Balances:</u>				
Restricted	\$ -	\$ -	\$ -	\$ -
Assigned	143,760	-	104,005	-
Unassigned	-	(1,927)	-	(35,724)
	\$ <u>143,760</u>	\$ <u>(1,927)</u>	\$ <u>104,005</u>	\$ <u>(35,724)</u>

SCHEDULE 1 (Continued)

Capital Projects						
Wastewater Facility Project	Safe Room Project	Storm Water Improvements	Regency Fund	Sports Complex	Larson Dr. By-pass Sewer	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,797
-	-	-	-	-	-	323,864
-	-	-	-	-	-	59,496
-	79,653	-	-	-	-	373,564
-	-	-	8,357	-	-	42,004
-	79,653	-	8,357	-	-	839,725
-	-	-	-	-	-	244,216
-	-	-	-	-	-	247,599
718,557	811,680	54,699	662,685	60,504	831	2,523,763
718,557	811,680	54,699	662,685	60,504	831	3,015,578
(718,557)	(732,027)	(54,699)	(654,328)	(60,504)	(831)	(2,175,853)
1,200,000	1,300,000	600,000	133,225	75,000	300,000	4,114,137
-	-	-	(2,817,348)	-	-	(3,377,770)
1,200,000	1,300,000	600,000	(2,684,123)	75,000	300,000	736,367
481,443	567,973	545,301	(3,338,451)	14,496	299,169	(1,439,486)
(604,563)	-	-	3,338,451	-	(255,370)	3,652,805
\$ (123,120)	\$ 567,973	\$ 545,301	\$ -	\$ 14,496	\$ 43,799	\$ 2,213,319
\$ -	\$ 567,973	\$ -	\$ -	\$ -	\$ -	\$ 1,312,180
-	-	545,301	-	14,496	43,799	1,315,542
(123,120)	-	-	-	-	-	(414,403)
\$ (123,120)	\$ 567,973	\$ 545,301	\$ -	\$ 14,496	\$ 43,799	\$ 2,213,319

CITY OF HUXLEY, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Water Improvement Bond, Series 2003	April 16, 2003	3.00%	\$ 500,000
Corporate Purpose Bonds	April 15, 2006	3.35% - 4.20%	465,000
Corporate Purpose Bonds	October 15, 2006	4.40% - 5.00%	6,650,000
Corporate Purpose Bonds	March 15, 2009	3.30% - 5.05%	5,800,000
Refunding Bonds - Series 2010A	April 29, 2010	1.00 - 1.75%	1,435,000
Corporate Purpose Bonds - Series 2010B	June 9, 2010	2.50%	310,000
Corporate Purpose Bonds - Series 2010C	June 9, 2010	4.00 - 4.85%	2,145,000
Corporate Purpose Bonds - Series 2010D	June 30, 2010	2.50 - 5.15%	6,295,000
Total			
Revenue bonds:			
Water	February 8, 2002	3.00%	1,816,000
Sewer	June 30, 2010	3.00%	6,325,000
Total			

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 334,000	\$ -	\$ 23,000	\$ 311,000	\$ 10,020	\$ -
100,000	-	20,000	80,000	4,000	-
6,175,000	-	395,000	5,780,000	295,060	-
5,720,000	-	-	5,720,000	258,100	-
1,435,000	-	485,000	950,000	20,539	-
310,000	-	155,000	155,000	6,820	-
2,145,000	-	-	2,145,000	90,567	-
<u>6,295,000</u>	<u>-</u>	<u>-</u>	<u>6,295,000</u>	<u>259,279</u>	<u>-</u>
<u>\$ 22,514,000</u>	<u>\$ -</u>	<u>\$ 1,078,000</u>	<u>\$ 21,436,000</u>	<u>\$ 944,385</u>	<u>\$ -</u>
\$ 1,214,000	\$ -	\$ 86,000	\$ 1,128,000	\$ 36,420	\$ -
<u>6,325,000</u>	<u>-</u>	<u>140,000</u>	<u>6,185,000</u>	<u>189,750</u>	<u>-</u>
<u>\$ 7,539,000</u>	<u>\$ -</u>	<u>\$ 226,000</u>	<u>\$ 7,313,000</u>	<u>\$ 226,170</u>	<u>\$ -</u>

CITY OF HUXLEY, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2011

Year Ending June 30,	State Revolving Fund					
	Revenue Bonds			Revenue Bonds		
	Issued February 8, 2002			Issued June 30, 2010		
	Interest Rates	Amount		Interest Rates	Amount	Total
2012	3.00 %	\$ 88,000		3.00 %	\$ 145,000	\$ 233,000
2013	3.00	91,000		3.00	150,000	241,000
2014	3.00	94,000		3.00	155,000	249,000
2015	3.00	96,000		3.00	160,000	256,000
2016	3.00	99,000		3.00	160,000	259,000
2017	3.00	102,000		3.00	165,000	267,000
2018	3.00	105,000		3.00	170,000	275,000
2019	3.00	108,000		3.00	175,000	283,000
2020	3.00	112,000		3.00	180,000	292,000
2021	3.00	115,000		3.00	190,000	305,000
2022	3.00	118,000		3.00	195,000	313,000
2023	-	-		3.00	200,000	200,000
2024	-	-		3.00	205,000	205,000
2025	-	-		3.00	210,000	210,000
2026	-	-		3.00	220,000	220,000
2027	-	-		3.00	225,000	225,000
2028	-	-		3.00	230,000	230,000
2029	-	-		3.00	240,000	240,000
2030	-	-		3.00	245,000	245,000
2031	-	-		3.00	255,000	255,000
2032	-	-		3.00	260,000	260,000
2033	-	-		3.00	270,000	270,000
2034	-	-		3.00	275,000	275,000
2035	-	-		3.00	285,000	285,000
2036	-	-		3.00	295,000	295,000
2037	-	-		3.00	300,000	300,000
2038	-	-		3.00	310,000	310,000
2039	-	-		3.00	315,000	315,000
Total		\$ 1,128,000			\$ 6,185,000	\$ 7,313,000

Year Ending June 30,	General Obligation Bonds					
	Corporate Purpose Bonds		Refunding Bonds		Corporate Purpose Bonds	
	Issued March 15, 2009		Issued April 29, 2010		Issued June 9, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.60 %	\$ 100,000	1.20 %	\$ 475,000	2.50 %	\$ 155,000
2013	3.70	100,000	1.75	475,000	-	-
2014	3.80	360,000	-	-	-	-
2015	3.95	375,000	-	-	-	-
2016	4.05	390,000	-	-	-	-
2017	4.20	405,000	-	-	-	-
2018	4.30	425,000	-	-	-	-
2019	4.50	440,000	-	-	-	-
2020	4.60	460,000	-	-	-	-
2021	4.70	485,000	-	-	-	-
2022	4.80	505,000	-	-	-	-
2023	4.90	530,000	-	-	-	-
2024	4.95	560,000	-	-	-	-
2025	5.05	585,000	-	-	-	-
2026	-	-	-	-	-	-
Total		\$ 5,720,000		\$ 950,000		\$ 155,000

CITY OF HUXLEY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS

FOR THE LAST EIGHT YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>RECEIPTS:</u>				
Property tax	\$ 486,891	\$ 504,925	\$ 521,709	\$ 416,132
Tax increment financing	2,082,328	1,809,929	1,401,757	1,345,159
Other City tax	443,675	441,883	471,286	443,409
Licenses and permits	26,978	102,388	41,556	50,262
Use of money and property	169,911	120,538	121,394	150,843
Intergovernmental	841,870	390,224	516,318	621,149
Charges for service	206,270	182,824	132,806	158,820
Miscellaneous	<u>2,104,352</u>	<u>501,787</u>	<u>282,877</u>	<u>172,928</u>
Total	\$ <u>6,362,275</u>	\$ <u>4,054,498</u>	\$ <u>3,489,703</u>	\$ <u>3,358,702</u>
<u>DISBURSEMENTS:</u>				
Operating:				
Public safety	\$ 502,356	\$ 490,676	\$ 465,675	\$ 482,646
Public works	310,234	273,784	296,437	297,981
Health and social services	13,925	6,444	9,178	4,725
Culture and recreation	546,736	522,903	555,495	504,748
Community and economic development	835,841	853,009	285,585	196,960
General government	324,630	331,736	328,393	317,211
Debt service	1,998,560	2,965,121	3,577,542	1,589,192
Capital projects	<u>4,227,689</u>	<u>9,359,577</u>	<u>1,851,598</u>	<u>3,327,782</u>
Total	\$ <u>8,759,971</u>	\$ <u>14,803,250</u>	\$ <u>7,369,903</u>	\$ <u>6,721,245</u>

SCHEDULE 4

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 339,290	\$ 348,687	\$ 334,144	\$ 327,945
1,556,180	1,391,187	1,374,213	1,256,304
404,126	332,421	275,023	257,696
70,590	95,823	34,993	10,278
216,214	57,707	38,952	27,703
448,215	423,630	466,595	461,985
194,608	201,695	201,695	224,594
837,137	195,931	195,931	157,580
<u>\$ 4,066,360</u>	<u>\$ 3,047,081</u>	<u>\$ 2,921,546</u>	<u>\$ 2,724,085</u>
\$ 389,463	\$ 485,408	\$ 579,136	\$ 573,322
376,101	334,468	172,008	163,792
6,212	9,150	10,070	6,470
439,898	420,765	423,321	390,593
124,188	401,808	332,313	328,821
468,144	351,975	282,191	241,381
1,263,068	698,250	499,620	791,258
<u>3,957,667</u>	<u>1,771,258</u>	<u>158,420</u>	<u>224,306</u>
<u>\$ 7,024,741</u>	<u>\$ 4,473,082</u>	<u>\$ 2,457,079</u>	<u>\$ 2,719,943</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Huxley, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Huxley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise City of Huxley, Iowa's basic financial statements listed in the table of contents and have issued our report thereon dated December 16, 2011. Our report expressed unqualified opinions on the financial statements which were prepaid in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Huxley, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Huxley, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Huxley, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as item II-A-11 and II-C-11 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Huxley, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Huxley, Iowa's response to the findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Huxley, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Huxley, Iowa and other parties to whom the City of Huxley, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Huxley, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

City of Huxley, Iowa
December 16, 2011

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash is received and recorded by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-11 Preparation of Financial Statements - A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recognize that with a limited number of office employees, preparation of the financial statements is difficult. The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Response – This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

Conclusion – Response accepted.

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements (Continued)

- II-C-11 Financial Reporting – Subsequent to the issuance of the financial statements for the year ended June 30, 2010, it was determined that the City had not properly transferred money to certain funds to be compliant with various developer agreements. This item is discussed in Note 12 of the current year financial statements. In addition, it was also determined that debt had been overstated for the year ended June 30, 2010.

Recommendation – Procedures should be implemented to ensure that all necessary steps are taken to be in compliance with developer agreements and that debt be properly stated.

Response – We will do so.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the debt service and culture and recreation functions. Chapter 384.20 of the Code of Iowa states in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be properly amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.

- III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

- III-G-11 Financial Condition – Note 10 to the financial statements reported deficit fund balances at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – We are aware of the deficit balances. See Note 10 for further explanation.

Conclusion – Response accepted.

- III-H-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investments policy were noted.

CITY OF HUXLEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-I-11 Revenue Bonds and Notes – Noncompliance with the water and sewer revenue bond resolutions were noted during the year ended June 30, 2011. Annual principal and interest payments for the water and sewer revenue bonds were in excess of the maximum percentage allowed of net customer receipts to be in accordance with the respective bond resolutions.

Recommendation – Procedures should be implemented to ensure that all bond resolutions are complied with.

Response – We will do so.

Conclusion – Response accepted.